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SUBJECT: NIGERIA: PIPELINE EXPERT SAYS 73 PERCENT OF NIGER
DELTA PIPELINES NEED REPLACEMENT, CAUSE SPILLS

11. (SBU) Summary: The President of oil services company Nestoil, Ernest Azudialu, told PolOffs on November 17 that most oil spills in the Niger Delta occur because 73 percent of pipelines are corroded and need to be replaced; pipelines, which have a technical life of 15 years, have often been in use for thirty years. Replacing these pipes with new, concrete-encased pipes sunk three to four meters underground would eliminate most spills and make illegal bunkering more difficult. Decades of environmental degradation have robbed people of their traditional livelihoods of fishing and farming, and encouraged them to demand payments before allowing legitimate businesses like his own to operate in the Delta. End Summary.

Obsolete Pipelines Cause Spills Daily

12. (U) Ernest Azudialu, President of the oil services company Nestoil, which did roughly USD 34 million in business during 2007 mostly as a subcontractor for international oil companies operating in Nigeria, told PolOffs on November 17 that most oil spills in the Niger Delta are caused by breaks in obsolete pipelines. Azudialu, who has 13 years experience laying pipelines in the Niger Delta, estimated that 73 percent of all pipelines there are more than a decade overdue for replacement. In many cases, pipelines with a technical life of 15 years are still in use thirty years after installation. Because the equipment is corroded and relatively close to the surface, making it more vulnerable to intentional and unintentional damage from natural and human causes, spills occur daily, and it often takes many hours to find the location of the spill and deploy the necessary clean-up equipment. The best long-term solution to the environmental situation is to replace these old pipes with new, concrete-encased pipes that are placed three to four meters underground. Such pipes rarely have spills and are much more difficult to tap into illegally. Spills caused by illegal bunkering as well as technical failures could be greatly reduced by pipeline modernization, he said.

Obsolete Pipelines More Vulnerable to Oil Theft

13. (SBU) Azudialu said that illegal bunkering was widespread and also contributed significantly to what he called the environmental catastrophe in the Niger Delta. According to Azudialu, the term illegal bunkering is used to refer to wide

range of activities from highly organized operations entailing barges, storage, pumping stations and small-scale refineries to villagers tapping into pipelines and helping themselves to oil for their own use or for sale on the local economy. While militant leaders are presumed to be active in the more organized illegal oil trade, Azudialu said, he personally knew about one military Joint Task Force (JTF) operation that was called off just before the militant leader was surrounded and taken or killed. Azudialu asked rhetorically: Who called the JTF off? Azudialu left no doubt that he believes senior officers in the JTF and officials in the state governments are involved in and profiting from illegal bunkering.

Local Communities Ask Payoffs to Survive

14. (SBU) Azudialu said that decades of environmental degradation have robbed the people of the Niger Delta of their traditional livelihoods of fishing and farming, and encouraged the residents to view the oil as belonging to them. As a result, they do not see anything wrong with either taking it directly (tapping into oil pipelines) or demanding payment from outsiders who are exploiting it. Azudialu said that in order to work in the Niger Delta, a company must make payoffs to the local community leaders, pay protection money to the "youths," and also employ private security firms. All this makes work in the Niger Delta very expensive. Even if a company comes to a community to build something for the benefit of that community, said Azudialu, the community leaders and youths will first demand payments.

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15. (SBU) Asked about how development could be achieved in the Niger Delta under these circumstances, Azudialu said that the Federal Government had to grant contracts directly to credible companies rather than funneling money through the state and local governments. He claimed that the Niger Delta Development Commission (NDDC) has not proven to be a promoter of development, calling it the worst conduit for that purpose.

16. (U) Azudialu's assessment of the current state of pipelines has been confirmed by other of our interlocutors.

17. (U) This cable has been cleared by Embassy Abuja.
BLAIR